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14 January 1966

MEMORANDUM FOR:

THROUGH:

SUBJECT: S-1769, Exports of Fuels from the USSR to Communist Countries of Eastern Europe during 1966-70

The attached report on the above subject is submitted in response to your request of 10 January 1966.

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GROUP 1
Excluded from automatic downgrading and declassification

Exports of Fuels from the USSR to Communist Countries of Eastern Europe during 1966-70

Summary and Conclusions

Trade agreements for the years 1966-70 call for the USSR to export to the Communist countries of Eastern Europe about 133 million metric tons of crude oil, or about 9% of total estimated production in the USSR during the period. This quantity of crude oil will provide almost one-half of the total crude oil supply in the European Satellites during these five years and together with indigenous production will provide about 95 percent of total needs. The remaining 5 percent will be imported from non-Communist suppliers. It is believed that the USSR can provide such exports as well as a slightly larger amount to the Free World during the period within the planned levels of investment by the Soviet petroleum industry and with no restriction on domestic consumption beyond that which may have existed in 1965. If, however, the European Satellites were able to purchase crude oil from other sources in the world, the displaced Soviet oil might in part be consumed domestically and in part made available for export to the Free World to obtain larger earnings of foreign exchange.

Exports of Soviet hard coal to the Communist countries of Eastern Europe planned for the years 1966-70 will be an insignificant portion of total Soviet output and will represent less than 5% of East Europe's total supply. Nevertheless, the premium quality coking coal exported to Poland and Rumania will be of considerable importance as it is vitally needed to produce metallurgical coke for their iron and steel industries.

Discussion

The attached table provides detailed data on exports of petroleum and solid fuels from the USSR during the years 1961-65 and on available plans for exports during the 1966-70 period. A summary of Soviet exports to the Eastern European Communist countries as a whole is shown below:

Commodity	1961-65	1966-70 Plan
	(million metric tons)	
Crude oil	59	133
Petroleum products	22	13*
Hard coal	39	59**
Hard coal coke	11	N.A.

* Plans available for only 2 countries, Bulgaria and Poland.

** Plans not available for Poland and Rumania; however, it is believed that each of these two countries will continue imports through the 1966-70 period at the level estimated for 1965.

Petroleum

Exports of crude oil from the USSR to the Communist countries of Eastern Europe amounted to about 59 million tons during the 1961-65 period and are scheduled to increase to about 133 million tons during the years 1966-70. During 1961-65 these Soviet exports of crude oil amounted to slightly less than 6 percent of total cumulative production in the USSR and provided about 45 percent of total crude oil needs in Eastern Europe. If, however, only the five countries of Eastern Europe which import crude oil are considered, Soviet crude oil provided about 82 percent of total crude oil demands, indigenous production accounted for about 16 percent and imports from the Free World, primarily the UAR, the remainder. The CEMA intrabloc crude oil pipeline,

completed in late 1963, assures an economical means of transport for all exports of crude oil from the USSR to Eastern Europe until 1968 when planned annual shipments may exceed the capacity of the pipeline. During the 1961-65 period there apparently was no difficulty on the part of the USSR in supplying such quantities of crude oil to Eastern Europe while exports of petroleum to the Free World were increased and domestic demands in the USSR were satisfied.

If trade agreements for the 1966-70 period are fulfilled, the scheduled Soviet exports of 132 million tons of crude oil to Eastern Europe will represent about 9 percent of total cumulative Soviet production and will provide about one-half of the crude oil needs of Eastern Europe. For the five importing countries, however, the Soviet exports will provide about 82 percent of crude oil needs, indigenous production about 13 percent, and the remainder will have to be obtained from Free World sources. The USSR should be able to supply Eastern Europe with the planned quantity of crude oil and also increase exports to the Free World. Exports to the Free World may be at a level slightly higher than to Eastern Europe. However, the large quantities required by Eastern Europe will probably limit any sizable expansion of crude oil exports to the Free World in markets of opportunity that may arise during the period. It is doubtful if domestic supplies of petroleum in the USSR will be restricted, but if demands increase beyond expectations it is probable that exports to Eastern Europe will be reduced before those to the Free World, as sales of this commodity are an important source of foreign exchange to the USSR. In order to ensure the economic delivery of the estimated annual quantities of oil to

Eastern Europe, the CEMA pipeline will have to be paralleled within the next two years.

Soviet exports of petroleum products during 1961-65 amounted to about 22 million tons, but were important only to Bulgaria and Poland, where imports totalled about 6.5 and 9.5 million tons, respectively. Although plans are not complete with respect to imports of products during 1966-70, it is expected that such imports will decline as the major new refineries in each country are able to supply most of the domestic product needs from processing imported Soviet crude oil.

Coal and Coke

Exports of hard coal from the USSR to the Communist countries of Eastern Europe amounted to about 39 million tons during 1961-65 and may increase to about 59 million tons during the 1966-70 period. These quantities of coal represent only a minute portion of total cumulative production in the USSR, about 5 percent of total hard coal supplies in East Europe during 1961-65, and about the same percentage during 1966-70. These exports are important, however, to Poland and Rumania, as they provide almost all of the premium quality coking coal available to these countries for manufacture of metallurgical coke used in the iron and steel industries.

Soviet exports of hard coal coke to East Europe totalled about 11 million tons during 1961-65, most of which went to East Germany, Hungary, and Rumania, primarily for metallurgical use. The quantities exported by the USSR accounted for only about 3 percent of total output during the five years. Although

only limited data on planned exports of Soviet coke are available, it is expected that such exports of coke will decline as more coke making facilities are built in East Europe to produce coke from blends of domestic and imported coals.

USSR Exports of Petroleum and Solid Fuels to Communist Countries of Eastern Europe
(Continued)

Thousand metric tons

	1961	1962	1963	1964	1965*	Total 1961-65	1966-70 Plan
Rumania							
Hard coal	149	395	190	201	200	1,135	N.A.
Hard coal coke	239	431	618	599	600	2,487	N.A.
Total European Satellites							
Crude oil	7,029	8,716	10,658	13,956	18,600	58,959	132,700
Petroleum products	3,746	4,567	5,252	4,688	3,550	21,803	13,300
Hard coal	4,870	7,661	7,619	9,463	9,805	39,418	52,100**
Hard coal coke	1,711	1,866	2,282	2,350	2,300	10,509	N.A.

* Preliminary estimate.

** Plans not available for Poland and Rumania. Estimated import: Poland-6 million tons, Rumania-1 million tons.

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USSR Exports of Petroleum and Solid Fuels to Communist Countries of Eastern Europe

Thousand metric tons

	1961	1962	1963	1964	1965	Total 1961-65	1966-70 Plan
Bulgaria							
Crude oil	0	0	0	0	0	0	0
Petroleum products	1,410	1,560	1,750	1,850	2,500	9,070	15,000
Hard coal	505	532	1,035	1,250	900	4,222	6,000
Hard coal coke	105	106	130	177	260	778	2,000
Czechoslovakia							
Crude oil	3,845	3,973	4,244	4,760	4,000	20,822	
Petroleum products	308	320	340	370	450	1,788	39,000
Hard coal	1,766	2,700	3,142	3,166	3,500	14,274	
Hard coal coke	92	42	52	68	80	334	10,000
East Germany							
Crude oil	2,937	3,437	3,869	5,236	5,200	20,679	
Petroleum products	515	500	647	478	500	2,640	35,000
Hard coal	1,214	1,330	1,233	1,618	1,700	7,095	
Hard coal coke	758	781	857	868	850	4,014	9,000
Hungary							
Crude oil	1,311	1,522	1,586	1,758	1,800	7,977	
Petroleum products	168	807	394	392	400	2,161	16,000
Hard coal	432	397	456	1,018	1,000	3,303	
Hard coal coke	543	563	636	638	655	3,035	4,800
Poland							
Crude oil	730	1,084	1,416	1,703	3,100	8,033	26,000
Petroleum products	1,651	1,950	2,215	2,113	1,600	9,529	47,300
Hard coal	872	1,010	1,212	1,223	1,200	5,517	N.A.